

Exercise 8-4

Beginning inventory	\$25,000
Merchandise purchases (on account)	155,000
Freight charges on purchases (paid in cash)	10,000
Merchandise returned to supplier (for credit)	12,000
Ending inventory	30,000
Sales (on account)	250,000
Cost of merchandise sold	148,000

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Exercise 8-4 (continued)

Perpetual system:

Inventory	155,000	
Accounts payable		155,000
(to record purchases)		
Inventory	10,000	
Cash		10,000
(to record freight)		
Accounts payable	12,000	
Inventory		12,000
(to record purchase returns)		
Accounts receivable	250,000	
Sales		250,000
(to record sales on account)		
Cost of goods sold	148,000	
Inventory		148,000
(to record cost of sales)		

No end-of period adjusting entries are required

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Exercise 8-4 (continued)

Periodic System:

Purchases	155,000
Accounts payable	155,000
(to record purchases)	
Freight-in	10,000
Cash	10,000
(to record freight)	
Accounts payable	12,000
Purchase returns	12,000
(to record purchase returns)	
Accounts receivable	250,000
Sales	250,000
(to record sales on account)	

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Exercise 8-4 (continued)

Periodic System – End of Period Adjusting Entries

Cost of goods sold	25,000
Inventory (beginning)	25,000
(to close beginning inventory to COGS)	
Cost of goods sold	153,000
Purchase returns	12,000
Purchases	155,000
Freight-in	10,000
(to close net purchases to COGS)	
Inventory (ending)	30,000
Cost of Goods Sold	30,000
(to establish ending inventory)	

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